



## Senate

General Assembly

**File No. 177**

February Session, 2008

Substitute Senate Bill No. 495

*Senate, March 26, 2008*

The Committee on Planning and Development reported through SEN. COLEMAN of the 2nd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

***AN ACT CONCERNING THE PUBLIC HOUSING PILOT PROGRAM  
AND THE LOW AND MODERATE INCOME HOUSING TAX  
ABATEMENT.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       Section 1. (*Effective from passage*) (a) Notwithstanding the provisions  
2       of section 8-71 of the general statutes, for the one-year period ending  
3       June 30, 2008, no payment otherwise due to any municipality under  
4       said section 8-71 shall be due from any housing authority. No  
5       municipality may impose or collect any tax, assessment or charge in  
6       lieu of any payment otherwise due to the municipality under such  
7       section for such period. Any such tax, assessment or charge already  
8       made shall be withdrawn or reversed, and any payment made by a  
9       housing authority pursuant to such tax, assessment or charge shall be  
10      refunded to the housing authority.

11      (b) Notwithstanding the provisions of the general statutes or any  
12      public or special act, for the one-year period ending June 30, 2008, no

13 housing authority shall increase the base or percentage rent of any  
14 tenant based upon the actual or anticipated tax, assessment or charge  
15 described in subsection (a) of this section and the Connecticut Housing  
16 Finance Authority or the Commissioner of Economic and Community  
17 Development shall not approve any such increase. Any such increase  
18 already approved or implemented shall be withdrawn or reversed to  
19 the extent based upon such tax, assessment or charge and any  
20 payments received shall be refunded or credited to the tenant.

21 (c) For the purposes of this section, the Connecticut Housing  
22 Finance Authority shall be deemed to be a housing authority in  
23 relation to any property it owns that is subject to section 8-71 of the  
24 general statutes.

25 Sec. 2. (*Effective from passage*) (a) Notwithstanding the provisions of  
26 the general statutes or any public or special act, for the one-year period  
27 ending June 30, 2008, no municipality that, for the fiscal year ending  
28 June 30, 2007, received payment pursuant to subsection (a) of section 8-  
29 216 of the general statutes, as amended by this act, shall impose or  
30 collect any tax, assessment or charge in lieu of payment pursuant to  
31 such subsection (a) on the owner of any housing for which payments  
32 would have been made during the one-year period ending June 30,  
33 2008, but for which no appropriations were made available in public  
34 act 07-1 of the June special session. Any such tax, assessment or charge  
35 made shall be withdrawn or reversed, and any payment made by such  
36 owner pursuant to such tax, assessment or charge shall be refunded to  
37 owner.

38 (b) Notwithstanding the provisions of the general statutes or any  
39 public or special act, for the one-year period ending June 30, 2008, no  
40 owner of housing described in subsection (a) of this section shall  
41 increase the rent of any tenant based upon the actual or anticipated  
42 tax, assessment or charge described in subsection (a) of this section.  
43 Any such increase already implemented shall be withdrawn or  
44 reversed to the extent based upon such tax, assessment or charge and  
45 any payments received shall be refunded or credited to the tenant.

46 Sec. 3. Subsections (a) and (b) of section 8-216 of the general statutes  
47 are repealed and the following is substituted in lieu thereof (*Effective*  
48 *July 1, 2008*):

49 (a) The state, acting by and in the discretion of the Commissioner of  
50 Economic and Community Development, may enter into a contract  
51 with a municipality for state financial assistance for housing, or any  
52 part thereof, solely for low or moderate-income persons or families, or  
53 for housing or any part thereof, on property classified by the  
54 municipality pursuant to section 8-215, for use for housing solely for  
55 low or moderate-income persons or families, in the form of  
56 reimbursement for tax abatements under said section, provided the  
57 construction or rehabilitation of such housing shall have been  
58 commenced after July 1, 1967, or, in the case of apartment buildings  
59 containing three or more stories, under construction on July 1, 1967.  
60 Such contract shall provide for state financial assistance in the form of  
61 a state grant-in-aid to the municipality not to exceed the amount of  
62 taxes abated by the municipality pursuant to section 8-215, provided  
63 no payment shall be made to any municipality under any contract  
64 entered into on or after October 1, 1973, unless the assessment on such  
65 housing or part thereof is determined as provided in section 8-216a  
66 except when such contract is a modification, amendment, or  
67 replacement of a contract already in existence on or before October 1,  
68 1973. In such contract, the commissioner may require assurances that  
69 the amount of tax abatement will be used for the purposes stated in  
70 section 8-215, and that the commissioner shall have the right of  
71 inspection to determine that such purposes are being achieved. With  
72 respect to housing for which tax abatement has been provided  
73 pursuant to said section 8-215, such grant-in-aid shall be paid to the  
74 municipality each year, in an amount not to exceed the tax abatement  
75 for such year, as long as the housing continues to fulfill the purposes  
76 stated in said section. [, but in no case shall payments of such state  
77 financial assistance continue for more than forty consecutive fiscal  
78 years of the municipality.]

79 (b) The state, acting by and in the discretion of the Commissioner of

80 Economic and Community Development, may enter into a contract  
 81 with a municipality and the housing authority of the municipality or  
 82 with the Connecticut Housing Finance Authority or any subsidiary  
 83 created by the authority pursuant to section 8-242a or 8-244 or with a  
 84 successor owner to make payments in lieu of taxes to the municipality  
 85 on land and improvements owned or leased by the housing authority  
 86 or the Connecticut Housing Finance Authority or successor owner  
 87 under the provisions of part II of chapter 128. On and after July 1, 1997,  
 88 the time period of the contract may include the remaining years of  
 89 operation of the project. Such payments shall be made annually in an  
 90 amount equal to the taxes that would be paid on such property were  
 91 the property not exempt from taxation, and shall be calculated by  
 92 multiplying the assessed value of such property, which shall be  
 93 determined by the tax assessor of such municipality in the manner  
 94 used by such assessor for assessing the value of other real property, by  
 95 the applicable tax rate of the municipality. Such contract shall provide  
 96 that, in consideration of such grant-in-aid, the municipality shall waive  
 97 during the period of such contract any payments by the housing  
 98 authority or the Connecticut Housing Finance Authority or successor  
 99 owner to the municipality under the provisions of section 8-71, and  
 100 shall further provide that the amount of the payments so waived shall  
 101 be used by the housing authority or the Connecticut Housing Finance  
 102 Authority or successor owner for a program of social and  
 103 supplementary services to the occupants or shall be applied to the  
 104 operating costs or reserves of the property, or shall be used to maintain  
 105 or improve the physical quality of the property. As used in this  
 106 subsection, a "successor owner" means an entity that owns a housing  
 107 project developed pursuant to part II of chapter 128 after the  
 108 revitalization of such project pursuant to a plan approved by the  
 109 commissioner.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	New section

Sec. 3	<i>July 1, 2008</i>	8-216(a) and (b)
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**PD**      *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

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**OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:** See Below

**Explanation**

The bill prohibits municipalities from imposing or collecting any tax, assessment, or charge in lieu of the state reimbursement under the moderate rental housing Payment-in-Lieu of Taxes (PILOT) and Tax Abatement programs. The bill also requires municipalities to refund any payments they received from participating PILOT and Tax Abatement entities. These provisions only apply in FY 08 if municipalities received a reimbursement in FY 07, but not the payment scheduled for FY 08 because funding was not included in the FY 08-09 biennial budget.

To the extent that municipalities collected related payments, they will experience a revenue loss. In FY 07, 22 municipalities received a total of \$1.7 million in state assistance under the Tax Abatement program, and 14 municipalities received a total of \$2.2 million under the moderate rental PILOT program.

Currently the Department of Economic and Community Development (DECD) can reimburse towns, for not more than 40 consecutive fiscal years, for the property tax revenue that municipalities forgo. The bill removes the forty year limit, which could result in a continuation of abatement costs. Fifty-seven existing contracts, receiving state reimbursements totaling \$1.7 million in FY 07, are set to expire between 2009 and 2017.

The bill also expands reimbursement eligibility to include successor owners, potentially continuing reimbursement costs.

HB 5031, "AAC Payment in lieu of Taxes for Public Housing and the Low and Moderate Income Tax Abatement Program," as favorably reported by the Appropriations Committee, transfers funding from the Department of Social Services to DECD for the PILOT program (\$2,204,000) and for the Tax Abatement program(\$1,704,890) for FY 08.

***The Out Years***

***State Impact:*** None

***Municipal Impact:***

The restriction and reimbursement requirements under the bill are effective only in FY 08. The potential costs associated with the removal of the 40 year limit and inclusion of successor owners will continue into the future subject to inflation.

**OLR Bill Analysis****sSB 495*****AN ACT CONCERNING THE PUBLIC HOUSING PILOT PROGRAM  
AND THE LOW AND MODERATE INCOME HOUSING TAX  
ABATEMENT.*****SUMMARY:**

This bill protects tenants in public and privately owned low- and moderate-income housing from rent increases in FY 08 by prohibiting public housing authorities (PHAs), towns, and private owners from taking specified actions.

It prohibits towns from imposing taxes and other charges on any state-funded moderate rental housing project a PHA operates. Although the law exempts these projects from property taxes and other charges, it currently requires PHAs to make payments in lieu of taxes to the town. The bill also prohibits (1) PHAs from increasing rents based on actual or anticipated FY 08 property taxes or other charges and (2) state agencies from approving any such rent increases.

The bill prohibits towns and property owners from taking similar actions with respect to certain privately owned multifamily housing. These prohibitions apply if the owner accepted a tax abatement for charging affordable rents and the state failed to reimburse the town in FY 08 after having done so in FY 07.

By law, the Department of Economic and Community Development (DECD) commissioner may reimburse towns for the property tax revenue they forgo on both types of housing. But it currently limits the reimbursement period for privately owned housing to 40 consecutive fiscal years. The bill eliminates this sunset.

Lastly, the bill allows the commissioner to reimburse towns for the

tax exemption on state-funded moderate rental housing that was redeveloped and transferred to a private entity with her approval.

EFFECTIVE DATE: July 1, 2008, except for the prohibitions which take effect upon passage.

## **STATE FUNDED MODERATE RENTAL HOUSING (§ 1)**

### ***Town Actions***

The bill prohibits towns from charging PHAs the statutory payment in lieu of taxes, assessments, and fees. The payment equals 12.5% of the annual rent they collect from the housing. The law allows the DECD commissioner to reimburse towns for the resulting revenue loss (CGS §§ 8-71 and 8-216(b)).

The bill also prohibits towns from imposing any tax, assessment, or charge in lieu of these payments. And it requires them to withdraw, reverse, or refund any payment they charged or collected. These prohibitions apply only during FY 08.

### ***PHA Actions***

For FY 08, the bill also prohibits PHAs from increasing the base or percentage rent of moderate rental housing tenants based on an actual or anticipated property tax, assessment, or charge. Because moderate rental housing was developed with state dollars, PHAs cannot increase rents without the approval of the commissioner or the Connecticut Housing Finance Authority. Consequently, the bill bans both parties from approving rent increases.

The bill also requires PHAs to withdraw or reverse the portion of any rent increase based on an actual or anticipated property tax, assessment, or charge in FY 08. They must also refund or credit any payments they collected based on these taxes, assessments, or charges.

## **PRIVATELY OWNED MODERATE RENTAL HOUSING**

The bill imposes similar prohibitions on towns and private owners under a local property tax abatement program. By law, towns may adopt ordinances abating property taxes on multifamily housing if the

owner agrees to keep the rents affordable to low- and moderate-income people (CGS § 8-215). The commissioner may reimburse the town for the revenue loss.

The bill prohibits a town from imposing or collecting any tax, assessment, or charge in lieu of the state reimbursement. This prohibition applies in FY 08 if the town received a reimbursement in FY 07 but not the one scheduled for FY 08 because the state budget provided no funds for this purpose. The town must withdraw or reverse any assessment or charge. It must also refund any owner who paid them.

The bill also prohibits the housing owner from increasing the rents based on actual or anticipated taxes, assessments, or charges. Like the town, the owner must withdraw or reverse any assessment or charge and refund or credit the tenant for any payments he or she made.

## **BACKGROUND**

### ***Related Bills***

The Planning and Development Committee reported two bills that appropriate the same amounts for the reimbursements for the tax exemptions and tax abatements, respectively for public and privately owned moderate rental housing. SB 2 and HB 5031 each appropriates \$2.2 million in FY 08 and FY 09 for the reimbursements for state-funded moderate rental housing. Both bills also appropriate \$1.7 million in FY 08 and FY 09 for privately owned rental housing.

## **COMMITTEE ACTION**

Planning and Development Committee

Joint Favorable Substitute

Yea    20    Nay   0    (03/10/2008)